

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (“DEQ/AQD”), Herschler Building, 122 West 25th Street, Cheyenne, Wyoming 82002, and Anschutz Pinedale Corporation (“Anschutz”), 555 17th Street, Suite 2400, Denver, Colorado, 80202, enter into this Settlement Agreement (“Agreement”) to fully and finally resolve without litigation the alleged violations cited in the DEQ/AQD Notice of Violation docket number 5382-14 (“Notice of Violation”). The Notice of Violation alleged that Anschutz violated the Wyoming Air Quality Standards and Regulations (“Air Quality Rules”) by failing to comply with its operating permit.

Wyo. Stat. Ann. § 35-11-901(a)(ii) (2013) authorizes stipulated settlement, including the payment of a penalty, implementation of compliance schedules, or other settlement conditions in lieu of litigation. To that end, Anschutz and the DEQ/AQD hereby agree as follows:

1. Anschutz is a Colorado corporation, authorized to conduct business in the State of Wyoming, that owns and operates the Mesa 3-19A facility located in Sublette County, Wyoming.

2. The DEQ/AQD is the executive branch agency of Wyoming government responsible for enforcing the Air Quality Rules.

3. Chapter 6, Section 2(a)(i) of the Air Quality Rules requires a person to obtain a permit from DEQ/AQD prior to constructing, modifying, or using a facility or source that “may cause the issuance of or an increase in the issuance of air contaminants[.]”

4. Article 8 of the Wyoming Environmental Quality Act authorizes the Director of the DEQ/AQD to include conditions within such permits.

5. On March 25, 2008, DEQ/AQD issued permit MD-7158 to Anschutz for the Mesa 3-19A facility located in Sublette County (“Permit”). The Permit included specific conditions regarding the control of vent vapors, and the maintenance and use of combustion devices.

Condition 13 stated:

Vapors from the four (4) condensate tanks, including tank flash and S/W/B vapors, shall be routed to a combustion device to reduce the mass content of VOCs and HAPs in the tank vapors by at least ninety-eight percent (98%) by weight for at least one (1) year following the date of installation of the control device, after which

time the control may be removed provided it can be demonstrated that the previous thirty (30) day uncontrolled, annualized VOC emission rate from all wells is less than fifteen (15) tons per year. No prior authorization or permit modification is required by the Division for control device removal, however, the applicant must notify the Division of removal date and certify the uncontrolled emission rate, including method of calculation, within thirty (30) days of removal.

Condition 14 stated:

For the four (4) TEG dehydration units with condensers, reboiler still vent vapors shall be routed to the condensers. Condensed reboiler still vent liquids shall be collected and routed to a liquids storage tank. The non-condensable reboiler still vent vapors shall be routed to the common combustion device. The condensers and combustion device shall reduce the mass content of total HAP and VOC emissions in the reboiler still vent vapors by at least ninety-eight percent (98%) by weight.

Condition 17 stated:

The combustion devices shall be designed, constructed, operated, and maintained to be smokeless, per Chapter 3, Section 6(b)(i) of the WAQSR, with no visible emissions except for periods not to exceed a total of five (5) minutes during any two (2) consecutive hours as determined by 40 CFR, Part 60, Appendix A, Method 22.

6. On January 28, 2014, DEQ/AQD Engineer Brandi O'Brien observed conditions at the Mesa 3-19A facility in violation of the Permit, namely:

- a. Venting vapors from tanks instead of routing the vapors from the condensate tanks to the combustion device;
- b. Venting from the dehydration unit;
- c. Allowing liquids to spill from the dehydration unit and saturate the soil;
- d. Allowing the combustion device to smoke; and
- e. Routing dehydration units to only one combustion device.

7. On March 5, 2014, DEQ/AQD issued the Notice of Violation to Anschutz. The Notice of Violation alleged that Anschutz had violated Conditions 13, 14, and 17 of the Permit.

8. Without admitting liability, and in lieu of litigation pursuant to Wyo. Stat. Ann. § 35-11-901(a)(ii), Anschutz agrees to pay to the DEQ/AQD the amount of seven

thousand dollars and no cents (\$7,000.00) as a stipulated penalty to resolve the violations alleged in the aforementioned Notice of Violation. Anschutz agrees to make full payment by check, made payable to the Wyoming DEQ/AQD, within thirty (30) days after Anschutz has been notified by DEQ/AQD that the final signature has been affixed to this Agreement. Anschutz agrees to mail the payment to Jeremiah Williamson, Assistant Attorney General, 123 State Capitol, Cheyenne, WY 82002.

9. Anschutz further agrees to contact Cole Anderson at (307) 777-5924 and submit a complete application to revise the Permit to accurately reflect the equipment at the Mesa 3-19A facility. Anschutz must make this application within forty-five (45) days of the finalization of this Agreement.

10. Anschutz, by entering into this Agreement, does not concede or admit any liability, fault, or statutory noncompliance. Except as specifically provided for herein, nothing in this Agreement shall prejudice, waive, or impair any right, remedy, or defense that Anschutz may have against any entity.

11. Full compliance with this signed Agreement shall constitute full satisfaction for all claims by the DEQ/AQD against Anschutz arising from the allegations contained within the Notice of Violation and this Agreement. In reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Anschutz for these particular alleged violations. By this Agreement, the Parties intend to resolve with prejudice all allegations contained within the Notice of Violation and this Agreement.

12. In the event that Anschutz fails to fulfill its obligations under this Agreement, Anschutz waives any statute of limitation claims that may apply in an enforcement action by the DEQ/AQD involving the specific matters described in the Notice of Violation or otherwise set forth in this Agreement.

13. This Agreement shall be admissible by either Anschutz or the DEQ/AQD without objection by the other party in any action between DEQ/AQD and Anschutz relating to the violations alleged herein.

14. Each party assumes the risk of any liability arising from its own conduct. Neither party agrees to insure, defend, or indemnify the other. Neither DEQ/AQD nor Anschutz shall have any claim against the other for attorneys' fees, or for any other costs related to the preparation and resolution of this Agreement.

15. Any changes, modifications, revisions, or amendments to this Agreement are invalid unless mutually agreed upon by both parties and incorporated by a written instrument that is executed and signed by both parties to this Agreement.

16. The laws of the State of Wyoming shall govern the construction, interpretation, and enforcement of this Agreement. The Courts of the State of Wyoming shall have jurisdiction over this Agreement and the parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

17. This Agreement, consisting of five (5) pages, represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

18. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to Wyo. Stat. Ann. § 1-39-104(a) and all other state law.

19. The parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed to create such status. The rights, duties, and obligations contained in this Agreement shall operate only between the parties to this Agreement, and shall inure solely to the benefit of the parties to this Agreement. The parties to this Agreement intend and expressly agree that only parties signatory to this Agreement shall have any legal or equitable right to seek to enforce this Agreement, to seek any remedy arising out of a party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

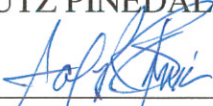
20. In the event that Anschutz assigns any or all of its proprietary interest in the Mesa 3-19A facility, DEQ/AQD reserves the right to enforce this Agreement against any and all subsequent owners and operators.

21. Each party represents that they are authorized to enter into this Agreement, agrees to comply with and to be bound by the terms of this Agreement, and further agrees that they will not contest this Agreement. This Agreement shall become binding upon the parties once executed.

[INTENTIONALLY LEFT BLANK]

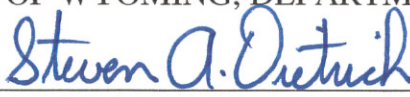
IN WITNESS THEREOF, the parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement:

ANSCHUTZ PINEDALE CORPORATION:

By: 
Galen Brenize
Vice President of Engineering and Operations

4/16/14
Date

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

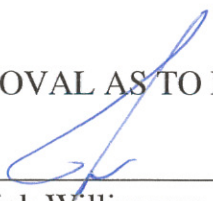
By: 
Steven A. Dietrich, AQD Administrator

4-30-14
Date

By: 
Todd Parfitt, DEQ Director

4/30/14
Date

APPROVAL AS TO FORM:


Jeremiah Williamson
Assistant Attorney General
Attorney for DEQ/AQD

4/24/14
Date